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Neither Equilibrium as Such nor as Abstraction: Debating Fred Moseley's Transformation[1]

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Capital and other works of Marx are at no point based on equilibrium. This is my underlying difference with Moseley and I take it to be an invisible thread running through methodology, conceptualisation, history, theory, conjunctural analyses and political economy. Those interpreting *Capital* through the prism of equilibrium can generate insight but it will be both limited and compromised by lack of dialectical understanding of the contradictory dynamics of capitalism.[2] Nothing could be more abstract than equilibrium but it is the enemy of Marxist abstraction.

Moseley makes much of abstraction. Yet it is not only dynamic but also not a simple thing. It involves a number of different elements. It does go from the abstract to the concrete, combining together in the proper order the influence of a cascade of many factors. But it does much more than this, moving from the simple (value, for example) to the complex (price). Abstraction, as the only road to science, can also involve specification of the structures of causation (what determines and explains what, and how); this does not necessarily coincide with movement from the abstract to the concrete nor from the simple to the complex (class struggle, for example, straddles all of these).[3] There are also different ways of ordering exposition (what do I lay out first, second, third …) and different ways of undertaking investigation (where do I start my analysis, restart and critically reconstruct as I proceed). Moseley seems to take abstraction as if one-dimensional, going up or down in a lift. At most he might be interpreted as two-dimensional abstraction, macro/micro and value/monetary. This allows him to bring abstraction and equilibrium together (although even this could be avoided) but the two are incompatible with one another for each of *Capital* and capitalism as totalities.

Yet, then, as Moseley rightly insists, capitalism is a single system, a totality. It is inconceivable for anyone to read *Capital* I closely, without coming to the conclusion that it is both micro and macro simultaneously and integrally so, and that there are different orders attached to the different types of abstraction deployed. *Capital* I begins with the commodity and money and derives capital and the production of (absolute and relative) surplus value with capitals in competition. Without the latter, there is no possibility of value being abstracted as socially-necessary labour time, SNLT, (since competition is the disciplining process that makes a reality both in production, as abstract labour time, and in circulation for which social use value is vital for exchange value).[4] In short, use of, or from, abstraction means developing increasingly complex categorisations, critically reconstructing those simpler concepts that began exposition and supplementing them both logically and historically (so that the commodity with which *Capital* I begins is very different by the time we end with *Capital* III, since it now incorporates surplus value as profit, rent and interest, as well as the impact of supply and demand, credit relations, and productivity-increasing, and crisis-inducing, accumulation).

These separate elements in abstraction are in part logical but they are not hermetically sealed, neither sequentially nor logically, and certainly not historically.[5] So you cannot put on your undergarments before your trousers (and you cannot even conceive of underpants before you conceive of pants) but ordering them can also be arbitrary from an expositional point of view (which I describe first bears no relation to the chronologies of robing and disrobing). These interminglings, and complexities, of the elements of abstraction could be laid out ad infinitum in all aspects of life. Wilkie Collins[6] moves from the murder to the identification of the murderer, whereas the suspected murderer is presented to the court at the outset. Exposition depends upon context and purpose although not thereby legitimately free to range without regard to logic and reality (no one put their trousers and underpants on at the same time).

We should not forget the dynamics of surplus value production in Volume I by moving to equilibria in interpreting Volumes II and/or III. In political economy, the "actual" can only legitimately be the actual reproduced in thought. Nonetheless, thought can also create imaginary "actuals" that can have an actual existence by way of exception. An individual can put their underpants on before their trousers as does the fictional Superman. But this does not make Superman anything other than fictional. It is what might be termed an actually empty abstraction, no worthier of consideration than whether garlic actually repels vampires. Thus, debating the positioning of Superman's underpants, does not make the fictional into an actual character, even if such an actual (fictional) Superman can indeed wear his underpants outside his trousers. Concepts have logical properties but, in political economy, they must be shown to reflect rather than to invent their object of study. So, wherever Moseley refers to actual he is unable to say the actual reproduced in thought because of his reliance upon "actual long-run equilibrium" that can never be anything other than equivalent to a fictional Superman as opposed even to a real man pretending to be so.[7]

Political economy involves not only identifying "levels of abstraction" (even upstairs-downstairs if you must) but also investigating logically and causally the forces and drivers of change, as well as counter-tendencies, the interactions of which drive the dialectics of contradictory complexity all of which evaporates with Moseley's appeal to actual long-run equilibrium. Even if long-run equilibrium can be interpreted as the natural price of classical political economy, it is a term derived from, and to be critically reconstructed. The purpose of *Theories of Surplus Value* is to tease out critically the implications of so-called (fictional) natural price for, necessarily partially, capturing the realities of capitalist non-equilibrium accumulation. On this, Ricardo is logically superior to Smith in commitment to a labour theory of value, but Smith is superior to Ricardo in seeking to understand the price form in the context of changing productivities and the growing division of labour, closely related to but different from changes in the organic composition of capital, see below.[8] At most, in scientific value theory, "natural price" is the momentary value (defined by evolving rather than equilibrium SNLT). This is especially illustrated by what is happening to the price of electronic chips – with a natural as long-run equilibrium price. Not only is there never anything "natural" about any price (it is the product of specifically capitalist or other conditions), the very notion brings capitalism to an indefinite if imaginary halt, capitalism's total antithesis in practice. Unsurprisingly, it leads classical political economy into theories of the stationary state, a sort of end of history.

Note, however, Moseley's correct reference to, and even a section on, "Sequential determination" (if only he would interpret it as logical **and** historical and, correspondingly, contradictory). But, in his hands, this term essentially becomes vacuous since it is tied to long-run equilibrium, with the sequential merely formal (circular without change) and the determination non-existent (nothing changes to be determined in equilibrium other than equilibrium itself). Thus, "Marx's logical method … is theory … based on the logic of *sequential determination* of the key variables, not simultaneous determination (as in Sraffian theory and the Sraffian interpretation of Marx's theory)." But, contra Moseley, there is no antithesis between sequential **and** simultaneous determination, and the two can come together when tied to equilibrium as with Moseley (just as with our planetary system for example for which night follows day in sequential equilibrium)!

Despite reliance on equilibrium, in addressing the transformation problem, Moseley is acutely insightful in insisting that inputs, i.e. constant and variable capital, do not need to be transformed as they are already value in money form when they are purchased with money capital advanced, thereby reproducing in thought that point along the actual circuit of capital.[9] This is sequentially followed by the production of surplus value (and the preservation of constant) but this is not a process within equilibrium. Subsequently, the transformation of values into prices of **production** and of the produced surplus value into profit is precisely this transformation and nothing more nor less. Neither aggregate value nor surplus value can be altered by the transformation since price/profit are the forms taken by them in exchange. The issue is to trace the real/actual manifest relations by which labour exerted under conditions of capitalist production are realised in exchange, something entirely different from equilibrium price-making. And, more specifically, the transformation is concerned with, is a process of abstraction of, one problem and one problem only (although many, many more processes do go into making market price); namely, what are the effects on the redistribution of surplus value produced according to sectoral differences in organic compositions of capital across sectors, see below. Or, to put it another way – by reference to the previously mentioned attempt by Smith to form a theory of price in context of a growing division of labour – how do differences in the rates of productivity change across sectors affect the processes of equalisation of rates of profit and price formation. Rather than addressing this "problem", the descent into equilibrium is precisely the error into which Moseley falls, thereby departing from the benefits of his acute insight almost as soon as he has made it.[10]

Proper, not arbitrary, understanding of the (organic) composition of capital is key.[11] Significantly, in his article, Moseley does not mention the composition of capital at all, a rather bizarre reflection on his professed representation of *Capital*. In a nutshell, there are three compositions of capital – the technical, the organic and the value.[12] With accumulation, the technical refers to the (changing) mass of raw materials worked up into final commodities by a given amount of labour power; the organic reflects this in the values in place at the time that capital is advanced (and so already in money form, Moseley's insight); and the value composition reflects the consequences of differential productivity changes across sectors in the formation of new levels of values (SNLT) and *not* the more or less valuable content of the raw materials as such. At this point, the transformation is not concerned with whether it is valuable gold or cheap copper that is going into production (such differences in value compositions are already accommodated in money form in capital advanced) but the impact of different rates of increase in productivity in gold- and copper-using industries (i.e. different organic compositions). This is the reflection of what happens in capitalism in conditions of competition within sectors (Volume I), and the transformation builds upon such macro/micro analyses of Volumes I and II for competition between sectors in the tendency for profitability to equalise between sectors (Volume III's transformation). It stands in sharp contrast to equilibrium treatments of the transformation "problem" which see it in terms both of equilibrium and value, not organic, composition (with the value composition appearing at the beginning and end of the transformation as equilibrium prices, whereas Marx's transformation is concerned with prices of production derived from the dynamics of the accumulation of capital and correspondingly differentiated productivity increases across sectors).

In a nutshell, Marx begins with the value composition of capital in money (capital) form (correctly perceived in form if not in content by Moseley) prior to the transformation in light of its being sequentially followed by production with the latter's differing organic compositions across sectors.[13] The subsequent reformation of transformed (not equilibrium) value composition is part and parcel of the counteracting tendencies to the tendency of the rate of profit to fall (derived from rising organic compositions). The next step taken, then, from the transformation in Volume III is to address the law of the tendency of the rate of profit to fall and its counteracting tendencies. Each of these, properly understood, derives directly and necessarily from the accumulation of capital but the law is simpler (more abstract) than the countertendencies, and their contradictory interaction are still more complex, not least in giving rise to rhythms in the accumulation processes including crises. In this respect, the transformation is an essential step towards a theory of accumulation interrupted by crises, and not a tangential theory of equilibrium prices with no further implications.

Nonetheless, at the most abstract level at which it can be considered, the distinction between different forms of capital **in exchange** can, and must, proceed by abstracting from the transformation of values into prices – even though some commodities may be more sale- or loan-intensive than others (just as they can be more capital-intensive in production and/or in value of raw materials used). This is because one of the distinctions between commercial capital and interest bearing capital is that the first is subject to the tendency to equalise profitability with industrial capital whereas the second is not. In this context, the extrapolated use of equilibrium prices would abolish this distinction (other than as a more or less temporary monopoly or premium for liquidity) and identify the rate of interest with the rate of profit, as occurs within much mainstream economics. In such an ideal world, rates of return would have to be equalised. The result would be that interest would be unable to be specified as a category distinct from profit, and the distinction between money as simple credit (used merely to buy and sell) and as capital (as an advance to appropriate profit) would be lost.[14] Whilst Moseley's account does not progress from the transformation to embrace the tendency of the rate of profit to fall, nor the distinctive role of interest bearing capital, his equilibrium abstractions would be the severest of constraints in doing so – unless equilibrium could suddenly transform itself from a state of rest into the dialectics of accumulation.

There is, then, a seamless trajectory, that cannot be leapfrogged, between the accumulation of capital as derived from the production of surplus value (Volume I) and the contradictory forms it takes as a dynamic process as represented through Volumes II and III of *Capital*. For the latter, it is the circulation and distribution of surplus value as increasing productivity is derived (or interrupted by crisis). Thus, the transformation leads directly into the law of the tendency of the rate of profit to fall and the counteracting tendencies, with both drawing upon the role of the organic (and, implicitly, value) composition. Most commentators address the two issues of transformation and falling profitability as separate controversies, but they are intimately related in terms of how rising organic compositions lead to tensions not in equilibrium prices but in the accumulation process. The division between profit of enterprise and interest can be derived without resort to consideration of the organic composition as such since it has no direct bearing on how access to finance for accumulation brings about differential rates of productivity increase.[15]

But it is different with the less prominent but equally indicative theory of absolute rent where landed property intervenes potentially to dull accumulation and lead to rising organic composition, allowing for higher prices than would otherwise prevail in view of lesser productivity increase and appropriation of rent. Voilà space created for absolute rent out of lower organic composition as part and parcel of the theory of accumulation, consistent with all that has gone before (rather than arbitrary monopoly price).[16] Is it accidental that the transformation as equilibrium seems unable to address any of these issues, let alone crisis and, as such, is the end of political economy just as it is the end of history (what else is equilibrium)?[17]

The paradox of the equilibrium interpretations of the transformation is that they shoehorn into their own frame those other interpretations that do genuinely reflect, however partially, the dialectical logic of *Capital*.[18] They also become a self-contained object of analysis in their own right, thereby precluding satisfactorily taking theoretical, historical and conjunctural analyses further.

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[1] See Moseley (2017), but also Moseley (2016). See Fine and Saad Filho (2016) for discussion of all points made in general, and also Fine et al (eds) (2016) and Saad Filho (2002). See footnotes for reference to my (joint) work on specific issues. Note Fine (1979, 1980a and b, and 1983a and b) are reproduced in Fine (ed) (1986). Thanks to Alfredo Saad Filho for comments. He remains responsible for all errors.
[2] Moseley (2017) uses the term "long-run equilibrium" twelve times!
[3] See Fine (2008).
[4] See Fine and Saad Filho (2008 and 2009), and for the continuing imperative of value theory, Fine (2001) and Fine et al (2010).
[5] Neither the nature of value itself nor its forms are invariant, themselves being transformed in the passages from elementary exchange to contemporary capitalism, Fine (1980b).
[6] "Inventor" of the mystery novel and close friend of Charles Dickens.
[7] Moseley (2017) uses the term "actual" 64 times, four of these attached to "long-run equilibrium"! Indeed, "In Marx's theory of the production and distribution of surplus-value in

the three volumes of *Capital*, the actual capitalist economy is assumed to be in long-run equilibrium." This is surely incorrect

[8] See below for compositions of capital but, otherwise, Fine (1982 and 1983a) and Milonakis and Fine (2009). In his book Moseley (2016) hardly surprisingly spends considerable effort to persuade that Marx is committed to natural as long-run equilibrium price.

[9] Moseley correctly criticises the "new solution" for arbitrarily transforming constant but not variable capital (although it does so to preserve in its own framing aggregate consistency across totals of price and value, and of profits and surplus value, respectively). This is wrong, as with nearly all treatments of the so-called transformation problem, because (like Moseley) it invents its own fictional problem, the finding of equilibrium prices, which has no attachment to the actual non-equilibrium process of capitalist circulation **and** accumulation.

[10] On the transformation problem, see Fine (1983b), Fine (ed) (1986) and Fine et al (2004).

[11] Much Marxist economics defines the (organic) composition arbitrarily even in algebraic terms – c/v or c/(c+v) for example – for ease of mathematical manipulation, let alone conflating the value with the organic composition and using them interchangeably, as is only appropriate but vacuous in the fictional world of equilibrium where there is no accumulation and productivity is not changing.

[12] See Fine and Harris (1979) and Fine (1983b, 1990a and 1991).

[13] I freely admit that, across his evolving work and conceptualisations, Marx is far from clear and consistent in conforming to the interpretation offered here (around the distinctions in the compositions of capital and their different impacts upon price formation – more or less valuable inputs for value composition, as opposed to more or less productivity increase across sectors for the organic composition). But, as Moseley closes, "I would hope that there would be no objection to such a reasonable reconstruction of Marx's theory, which would make the theory logically consistent and would make possible its further development."

[14] This is key to the understanding of financialisation and its relationship to neoliberalism, see Fine (2010 and 2014) and Bayliss et al (2017) and Fine and Saad Filho (2017).

[15] See Fine (1985/6, 1988, 2010 and 2014).

[16] See Fine (1979, 1980 and 1990b).

[17] Note how Moseley's (outline of his) book has no coverage of these issues as they seem to be strictly orthogonal to his interpretation of the transformation (as macro/micro/value/monetary).

[18] See Moseley's (2016) account of others as (wrong) equilibrium theorists or simply wrong, as for Fine and Saad Filho, for not being equilibrium theorists.